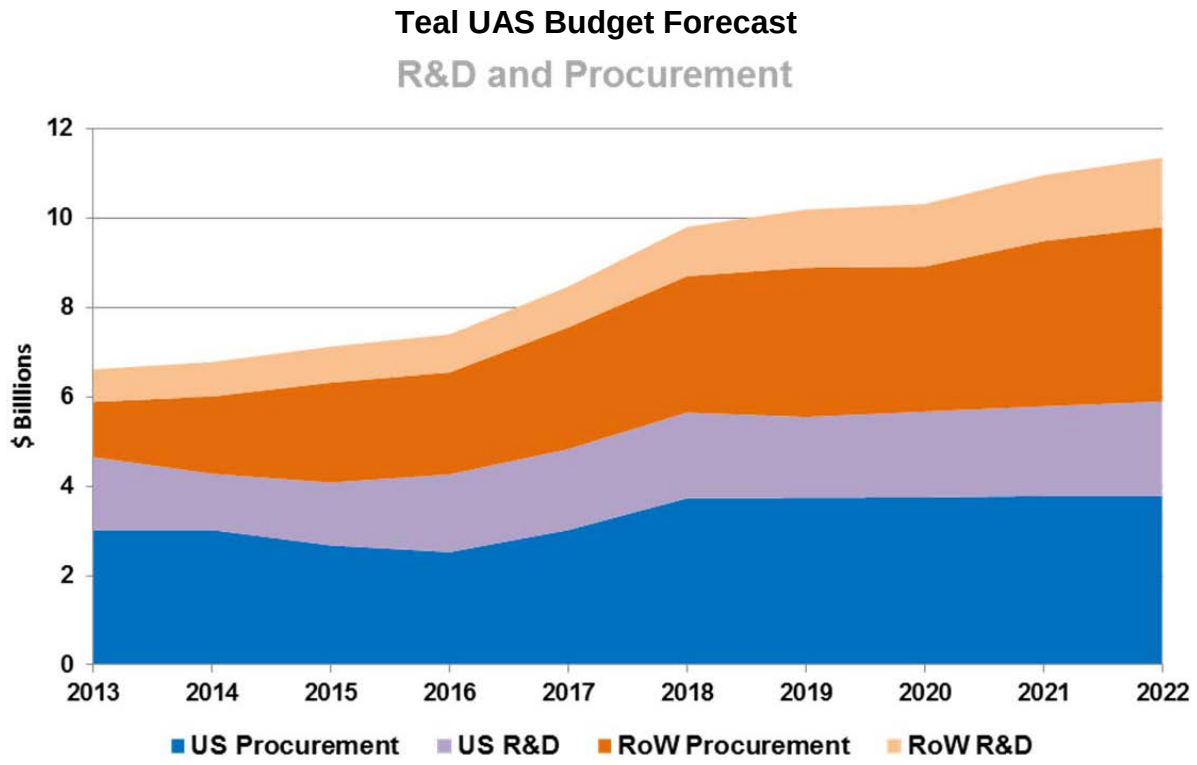
UNMANNED AIRCRAFT SYSTEMS

Unmanned Aircraft Systems (UAS) are currently the most dynamic growth sector within the aviation industry and have two distinctive characteristics. First, they have no human pilot/operator onboard and second, they are remotely operated by a pilot using data link transmissions.

As shown in the graph below, the Teal Group forecasts worldwide annual spending on research, development, testing, and evaluation procurement will increase from $6.6 billion in 2013, to $11.4 billion in 2022 for all UAS. Over the next ten years, Teal Group forecasts total UAS spending worldwide at $89.1 billion.



Most UAS were initially developed for military applications but have great potential for cross over to commercial and civil markets. The most popular military UAS use is for reconnaissance and surveillance, so we would expect that these types of operations would be adopted more quickly. As such, we expect that search and rescue will be an extremely viable for UAS.

In 2009, the FAA created the Unmanned Aircraft Program Office (UAPO) to integrate UAS safely and efficiently into the National Airspace Systems and coordinate all FAA certification and operational policy activities related to UAS. In October 2010, the UAPO published a Civil/Public UAS roadmap to clarify the path toward certification and operation of UAS in the NAS. The FAA is continuing to develop a plan to accelerate the integration of civil UAS into the NAS.

With all the possible applications for unmanned aircraft, the FAA forecasts the largest near-term growth in civil/commercial unmanned operations will be in the area of Small Unmanned Aircraft Systems (sUAS). The FAA is continuing to make a significant effort to develop the necessary regulatory framework for Small Unmanned Aircraft Systems to operate. The regulatory framework will includes standards, airworthiness criteria, certification and procedures for sense and avoid systems, as well as protocols to be used for the certification of command control and communication systems in the defined flight environment.

We believe that the civil UAS markets will evolve within the constraints of the regulatory and airspace requirements. Once enabled, commercial markets will develop and demand will be created for additional UAS and the accompanying services they can provide. Once enabled, we estimate roughly 7,500 commercial sUAS would be viable at the end of five years.